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Curbing the Costs of Everyday Living

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Curbing the Costs of Everyday Living



Cooperative Extension Service
South Dakota State University
U.S. Department of Agriculture

Curbing the Costs of Everyday Living

Increasing prices create money problems. Consequently, more people are asking "What can or must we do to manage everyday living costs?" One sound bit of advice was given by Benjamin Franklin back in the 1700's. He said, "Beware of little expenses, a small leak will sink a great ship."

Today's patterns of spending and living offer many opportunities for money leaks in the individual or family's budget. No one is automatically protected against them. Therefore, each individual or family must use time and exercise thought and self-discipline to control money leaks.

To reduce the impact of increasing prices on the budget, each person or family must develop its own system of controlling money leaks. Because the degree to which leaks should be reduced and the types of money leaks differ among families, each control system must be designed for the specific person or family. For greatest success, all persons who spend money should be involved in designing and following the system for controlling money leaks.

To Design a System for Controlling Money Leaks

1. Identify Money Leaks. To do this:
 - a. Study habits of spending and living and make three lists of goods and services used: (1) everyday, (2) weekly and monthly, and (3) occasionally.
 - b. For each list, classify each item according to its importance; use a number 1 for those goods and services which are necessities, 2 for those which are desired for living, and 3 for those goods and services which can be classed as luxuries or needless items.
2. Identify the impact of items in classification 3 on your budget:
 - a. Determine the dollar size of spending on all items numbered 3, and figure the daily, weekly and yearly cost of these items.
 - b. Decide how many of these items are to be cut out of your budget to reduce your everyday living costs to the amount desired.
3. If a greater reduction in costs is desired, analyze your spending for the goods and services classified as number 1: necessities or 2: desired items.
 - a. Are excessive amounts purchased and used?
 - b. Is waste present?
 - c. Were items obtained at the best possible prices?

Cost-Cutting Habits for Everyday Living:

1. To reduce prices paid for goods and services in the marketplace: (a) make out a shopping list and plan for the fixed obligations and the basic needs for everyday living, (b) set aside a realistic amount for savings for the emergency fund (2 to 6 months' takehome pay) and future purchases, (c) cut down on the purchase of those goods and services which are desired but not necessary, (d) learn to do many of the desired services yourself, (e) shop harder to get the best buy for your need. You can save from 10-25% by: using store brands instead of nationally advertised brands, comparing prices and qualities, using seasonal sales for purchases, buying promotional sales items, paying cash instead of using credit, buying used goods when they will serve the purpose, and avoid purchasing excessive amounts, qualities or features in goods. Practice a "mini-purchase system" -- buy only what is really meaningful and worth the money invested.
2. To reduce total investment in goods: (a) buy only the item that will meet your need, (b) keep an on-going inventory of goods on hand and substitute goods or recycle goods instead of buying, (c) do not abuse goods, keep repaired, and use them for maximum length of time, (d) plan ahead for big-ticket items and plan to purchase when there is a special price advantage such as a seasonal sale.
3. To conserve energy costs: (a) decide just how much you want to cut down on energy bills, (b) dress warmly and maintain heat at a minimum level for comfort, (c) change tastes, cooking and living habits to reduce fuel for cooking and hot water heating, (d) reduce transportation costs: eliminate unnecessary trips, drive for safety and fuel economy, own no more transportation vehicles than absolutely needed, learn simple maintenance repairs and pool transportation, (e) plan home activities and adjust habits to reduce the need for lights and water, especially hot water.

Remember, the key to curbing the costs of everyday living is: (1) to simplify one's lifestyle -- to live with the basics and skip more of the luxuries, (2) to practice the loss-prevention approach to life -- recognize and reduce source of loss, and (3) to capitalize on human ability by learning and practicing do-it-yourself skills.

Coping Strategy for Today's Consumers

Stop, look, think, and then spend is the best motto for today's consumers. Coping today will require a variety of techniques and practices. Some ideas to try include:

1. Pay obligations first, then be realistic and decide how much of the remaining money should be spent, saved, and shared.
2. Distinguish between needs and wants. Then plan to purchase needs first. Know your inventory of what is on hand and plan to use those items before buying additional items. Stay within your spending allowance.
3. Substitute one resource for another when possible. Look for ways you or other family members can save money by using time, talents, or goods on hand to produce or provide some of your needs and wants. For example: compare the actual cost of convenience; recycle or make-over items for further use; use time and talents to do or learn to do service jobs for the home, car, and personal care; and make gifts or perform a needed service for family and friends.

4. Study everyday living habits and reduce waste. Consumption habits are expensive. Things to avoid include: overbuying of products or convenience or luxury features on products, buying quantities in excess of needs, impulse buying, excessive use of credit, and improper use and care of goods.
5. Consider the total cost of items before purchasing. The total costs include the price tag value plus the installation cost if any and the maintenance and upkeep cost. When possible, select items with low maintenance and upkeep costs.
6. For big ticket items, plan ahead and be prepared to purchase when there is a special price advantage such as a seasonal sale; or if cash can be paid, bargain for a price advantage.
7. Be cautious about borrowing. Avoid borrowing for everyday living needs. Remember, loans tie up future income and thereby can reduce money available for future consumption. When borrowing, shop around for the lowest finance charge.
8. Recycle items for further use by family members or others. For example: create novelty gifts from items on hand (surplus foods, fabric bits, or plants); recycle garments to up-date fashions or use creative patches or trims for worn garments (might start a fad), and use holey garments to make accessories such as scarves, belts, handbags, or establish an "Exchange Post" or "Pass-Along-System" among friends and neighbors (exchange surplus foods, clothing, equipment and household gadgets, tools, educational or recreational materials, etc.)
9. Keep a close check on the miscellaneous items purchased. This accounts for many leaks in spending. Ask yourself if the money used for these items could be better used for other things. Add up the amount of money used for careless spending.
10. Carefully consider your transportation costs. Are they rather high? Study the frequency and types of trips made by your family. Could trips be combined or reduced to lower transportation costs? Practice safe and legal driving habits to reduce costs of carelessness.
11. Use cost-cutting practices with insurance when feasible. Consider: saving to meet common emergencies rather than insuring against them; reducing premiums by using group plans, taking higher deductibles on health and auto insurance, and paying premiums annually rather than monthly or quarterly; using term versus whole life for periods of heavy financial responsibility; taking as long a waiting period as you can afford on an income policy; and up-grading property insurance to cover inflationary prices.
12. Practice the loss-prevention approach to life -- take a deep look into the causes of loss (illnesses and accidents, property damage, impulse buying, poor choices of products and services) -- then establish procedures to reduce or control such losses.
13. Simplify your lifestyle -- consider living with the basics and skipping more of the luxuries, capitalize on human ability by learning and practicing do-it-yourself skills, recycle all items for additional or other uses, and develop creative and productive hobbies that enhance life.

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Thelma Hinson

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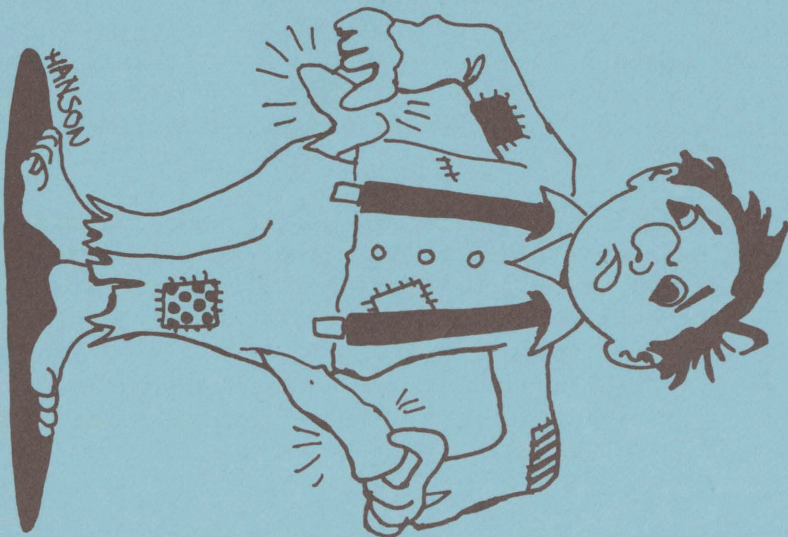
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